

EXCELLENCE FOR CHILDREN, LLC
THE FIRST THREE YEARS QUALITY
CARE OF INFANTS AND TODDLERS

Financial Report

Year Ended June 30, 2012

Under provisions of state law this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **FEB 20 2013**

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KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Excellence for Children, LLC and
The First Three Years Quality Care of Infants and Toddlers
Breaux Bridge, Louisiana 70517

We have audited the accompanying statements of financial position of Excellence for Children, LLC and The First Three Years Quality Care of Infants and Toddlers (a nonprofit organization) as of June 30, 2012 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Excellence for Children, LLC and The First Three Years Quality Care of Infants and Toddlers' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Excellence for Children, LLC and The First Three Years Quality Care of Infants and Toddlers as of June 30, 2012 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 4, 2012, on our consideration of Excellence for Children, LLC and The First Three Years Quality Care of Infants and Toddlers' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC
Certified Public Accountants

Lafayette, Louisiana
December 4, 2012

FINANCIAL STATEMENTS

EXCELLENCE FOR CHILDREN, LLC
THE FIRST THREE YEARS QUALITY CARE OF INFANTS AND TODDLERS

Statement of Financial Position
June 30, 2012

	Excellence for Children, LLC	The First Three Years
ASSETS		
Current assets		
Cash and interest-bearing deposits	\$ 4,751	\$ 42,701
Grants receivable - State of Louisiana	-	269,896
Prepaid expenses	1,335	-
Total current assets	6,086	312,597
Property and equipment, net of accumulated depreciation	368,928	36,773
Total assets	\$ 375,014	\$ 349,370
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 3,626	\$ 56,090
Line of credit	-	121,100
Total current liabilities	3,626	177,190
Net assets		
Unrestricted -		
Operating	2,460	135,407
Net investment in fixed assets	368,928	36,773
Total net assets	371,388	172,180
Total liabilities and net assets	\$ 375,014	\$ 349,370

The accompanying notes are an integral part of this statement

EXCELLENCE FOR CHILDREN, LLC
THE FIRST THREE YEARS QUALITY CARE OF INFANTS AND TODDLERS

Statement of Activities
Year Ended June 30, 2012

	Excellence for Children, LLC	The First Three Years
Unrestricted net assets		
Unrestricted support and revenue -		
Support services		
State of Louisiana grants -		
Region 5 Contract	\$ -	\$ 760,785
Region 6 Contract	-	232,741
Other grants -		
Private	41,396	-
Harris Foundation	-	3,412
Total support services	41,396	996,938
Revenue		
Training	2,040	58,698
Donations	-	35,655
Other	2,421	12
Interest	-	415
Total revenue	4,461	94,780
Total unrestricted support and revenue	45,857	1,091,718
Expenses		
Program services-		
Region 5 Contract	-	287,763
Region 6 Contract	-	90,832
Training	2,340	19,515
Other	6,133	-
Total program services	8,473	398,110
Support services-		
General administration	72,593	621,543
Total expenses	81,066	1,019,653
Change in net assets	(35,209)	72,065
Net assets, beginning of year	502,230	100,115
Distributions to member	(95,633)	-
Net assets, end of year	\$ 371,388	\$ 172,180

The accompanying notes are an integral part of this statement

EXCELLENCE FOR CHILDREN, LLC

Statement of Functional Expenses
Year Ended June 30, 2012

	<u>Program</u>		<u>Support</u>	<u>Total</u>
	<u>Training</u>	<u>Other</u>	<u>General and Administrative</u>	
Automobile expense	\$ -	\$ -	\$ 6,848	\$ 6,848
Accounting and audit	-	-	1,815	1,815
Building maintenance	-	-	12,572	12,572
Car rental	-	-	955	955
Conference fees	-	-	845	845
Depreciation	-	-	23,287	23,287
Dues and subscriptions	-	-	405	405
Liability insurance	-	-	1,821	1,821
Lodging	-	1,252	926	2,178
Meals	-	199	5,096	5,295
Mileage and airfare	-	4,437	2,472	6,909
Supplies	-	-	2,796	2,796
Other	-	245	9,658	9,903
Telephone	-	-	1,568	1,568
Trainer fees	2,340	-	-	2,340
Utilities	-	-	1,529	1,529
Total	<u>\$ 2,340</u>	<u>\$ 6,133</u>	<u>\$72,593</u>	<u>\$ 81,066</u>

The accompanying notes are an integral part of this statement

THE FIRST THREE YEARS QUALITY CARE OF INFANTS AND TODDLERS

Statement of Functional Expenses
Year Ended June 30, 2012

	Program Services			Support General and	Total
	Region 5 Contract	Region 6 Contract	Training	Administrative	
Accounting and audit	\$ 11,226	\$ 2,464	\$ -	\$ -	\$ 13,690
Building maintenance	-	-	-	586	586
Computer expense	23,029	6,478	-	1,386	30,893
Continuing professional education	1,385	525	-	16,475	18,385
Depreciation	-	-	-	14,694	14,694
Educational materials	79,301	9,709	-	-	89,010
Health insurance	36,867	11,289	-	-	48,156
Interest on loan	-	-	-	2,461	2,461
Janitorial services	519	453	-	-	972
Liability insurance	5,331	1,170	-	-	6,501
Lodging	-	-	-	2,580	2,580
Marketing	3,385	743	-	-	4,128
Meals	-	-	-	2,385	2,385
Mileage and airfare	17,532	17,226	-	4,978	39,736
Office expense	34,012	9,982	-	-	43,994
Other employee benefits	2,712	675	-	-	3,387
Other	5,661	1,890	-	4,032	11,583
Payroll taxes	-	-	-	46,044	46,044
Rent	5,236	1,080	-	6,959	13,275
Retirement	4,049	2,651	-	3,800	10,500
Salaries	-	-	-	511,388	511,388
Supplies	30,318	11,411	-	3,105	44,834
Telephone	14,901	3,401	-	670	18,972
Trainer fees	7,560	8,640	19,515	-	35,715
Utilities	4,739	1,045	-	-	5,784
Total	\$287,763	\$ 90,832	\$ 19,515	\$621,543	\$1,019,653

The accompanying notes are an integral part of this statement

EXCELLENCE FOR CHILDREN, LLC
THE FIRST THREE YEARS QUALITY CARE OF INFANTS AND TODDLERS

Statement of Cash Flows
Year Ended June 30, 2012

	Excellence for Children, LLC	The First Three Years
Cash flows from operating activities		
Change in net assets	\$ (35,209)	\$ 72,065
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	23,287	14,694
Changes in assets and liabilities-		
(Increase) decrease in		
Grants receivable	-	(80,497)
Accounts receivable	17,346	-
Prepaid insurance	41	511
Increase (decrease) in		
Accounts payable and accrued liabilities	806	36,444
Deferred revenue	-	(3,412)
	6,271	39,805
Net cash provided by operating activities		
Cash flows from investing activities		
Purchases of equipment	(29,363)	(15,214)
Cash flows from financing activities		
Proceeds from line of credit	-	121,100
Principal payments on line of credit	-	(135,420)
Distributions to member	(95,633)	-
Net cash used by investing activities	(95,633)	(14,320)
Net increase (decrease) in cash and cash equivalents	(118,725)	10,271
Cash and cash equivalents, beginning of year	123,476	32,430
Cash and cash equivalents, end of year	\$ 4,751	\$ 42,701
Cash paid for interest	\$ -	\$ 2,461

The accompanying notes are an integral part of this statement

EXCELLENCE FOR CHILDREN, LLC
THE FIRST THREE YEARS QUALITY CARE OF INFANTS AND TODDLERS

Notes to Financial Statements

(1) Nature of Entities and Significant Accounting Policies

A Organization and Purpose

Excellence for Children, LLC is a single-member limited liability corporation organized for the purpose of accounting for the receipt and disbursement of funds received for providing professional training to administrators, caregivers, and family child care home providers serving infants and toddlers to increase the quality of child care services

The First Three Years Quality Care of Infants and Toddlers “The First Three Years” is a nonprofit corporation organized under the laws of the State of Louisiana for the purpose of accounting for funds received from the State of Louisiana for the purpose of providing information and counseling to families in need of child care, to improve the quality and availability of child care services and to increase community involvement in early care and education services. The entity is exempt from federal and state income taxes as a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code. Accordingly, contributions to the Organization are qualified as charitable donations.

B Basis of Accounting

The financial statements of the entities have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of grantor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to grantor-imposed stipulations

Temporarily restricted net assets - Net assets subject to grantor-imposed stipulations that may or will be met, either by actions of the entities and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. At June 30, 2012, there were no temporarily restricted assets.

C Cash and Cash Equivalents

For purposes of the statement of cash flows, the entities consider “cash and cash equivalents” to include all demand accounts and interest-bearing deposits.

EXCELLENCE FOR CHILDREN, LLC
THE FIRST THREE YEARS QUALITY CARE OF INFANTS AND TODDLERS

Notes to Financial Statements (Continued)

D Allowance for Doubtful Accounts

The entities use the allowance method to determine uncollectible accounts receivable. The allowance is based on prior year's experience and management's evaluation of potential uncollectible receivables at year end.

E Property and Equipment

Acquisitions of property and equipment are capitalized at cost, if purchased, or at estimated fair market value if donated. Donations of property and equipment are recorded as contributions of their estimated fair value. In the absence of donor stipulations regarding how long the contributed assets must be used, the entities have adopted a policy of implying a time restriction on contributions of such assets that expires over useful lives of the assets. Depreciation is computed by the straight line method at rates based on the following estimated useful lives:

	<u>Years</u>
Buildings	40
Equipment	5 - 7
Furniture and fixtures	5 - 7

F Revenue and Expense Recognition

The entities receive substantially all of their grant revenues from state agencies. Grant revenues are either recognized on a unit cost basis, depending upon a person being trained or a visit completed, or are recognized as expenditures are incurred. Training income is recognized upon performance of services. Contributions are recognized when the donor makes a commitment to give to the entities. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increase those net asset classes.

Expenses are recognized in the period incurred in accordance with the accrual basis of accounting.

G Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Expenses are charged directly to program or support services in general categories based on specific identification.

EXCELLENCE FOR CHILDREN, LLC
THE FIRST THREE YEARS QUALITY CARE OF INFANTS AND TODDLERS

Notes to Financial Statements (Continued)

H Income Taxes

The Excellence for Children, LLC is a single-member limited liability company. Therefore, all taxable consequences flow through to its member's individual income tax return.

The First Three Years qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and therefore, has no provision for federal income taxes. The Organization is not classified as a private foundation.

I Compensated Absences

The entities allow employees annual leave based on years of service. One week is granted to employees with one year of service and two weeks for five years or more. Annual leave must be taken during the year and is not cumulative from one year to the next. There is no sick leave available for employees.

J Donated Goods

Occasionally, the entities receive nominal donations of goods which are immediately disbursed to families in need. These donations are not reflected in the statement of activities because the criteria for recognition under Statement of Financial Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*, have not been satisfied.

K Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

(2) Grants Receivable – State of Louisiana

Grants receivable from the State of Louisiana at June 30, 2012 applicable to The First Three Years consists of the following:

Region 5	\$ 215,483
Region 6	54,413
	<u>\$ 269,896</u>

EXCELLENCE FOR CHILDREN, LLC
THE FIRST THREE YEARS QUALITY CARE OF INFANTS AND TODDLERS

Notes to Financial Statements (Continued)

(3) Property and Equipment

Property and equipment consist of the following at June 30, 2012

	Excellence for Children, LLC	The First Three Years
Land	\$ 16,700	\$ -
CIP	25,932	-
Buildings	302,918	-
Equipment	30,909	98,535
Furniture and fixtures	78,431	-
Totals	454,890	98,535
Less accumulated depreciation	(85,962)	(61,762)
Property and equipment, net	\$ 368,928	\$ 36,773

Total depreciation expense for the year ended June 30, 2012 was \$23,287 and \$14,694 for Excellence for Children, LLC and The First Three Years, respectively

(4) Line of Credit

Under the terms of the bank line of credit agreement dated October 2008, the First Three Years may borrow up to \$250,000 with interest due monthly at a fixed rate of 6%. At June 30, 2012, the outstanding borrowings were \$121,100. The line is secured by cross-collateralization of all accounts receivable of the First Three Years and a guarantee from its member.

(5) Retirement Benefits

The First Three Years has a simple retirement plan for employees with one year of service. Eligible employees may contribute any percentage they wish. The First Three Years will match up to 3% of their salary. Contributions to the plan totaled \$10,500 for the year ending June 30, 2012.

(6) Risk Management

The entities are exposed to risks of loss in the areas of auto liability, general liability, management liability and workers' compensation. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in the insurance coverage during the year.

EXCELLENCE FOR CHILDREN, LLC
THE FIRST THREE YEARS QUALITY CARE OF INFANTS AND TODDLERS

Notes to Financial Statements (Continued)

(7) Subsequent Event Review

The Organization has evaluated subsequent events through December 4, 2012, the date which the financial statements were available to be issued

**INTERNAL CONTROL
AND
COMPLIANCE**

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Excellence for Children, LLC and
The First Three Years Quality Care of Infants and Toddlers
Breaux Bridge, Louisiana 70517

We have audited the financial statements of the Excellence for Children, LLC and The First Three Years Quality Care of Infants and Toddlers (a nonprofit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 4, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Excellence for Children, LLC and The First Three Years Quality Care of Infants and Toddlers is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Excellence for Children, LLC and The First Three Years Quality Care of Infants and Toddlers, internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying summary schedule of current and prior year audit findings and management's corrective action plan, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying summary schedule of current and prior year audit findings and management's corrective action plan as items 12-1(IC) and 12-2(IC) to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Excellence for Children, LLC and The First Three Years Quality Care of Infants and Toddlers', financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Excellence for Children, LLC and The First Three Years Quality Care of Infants and Toddlers' response to the findings identified in our audit is described in the accompanying summary schedule of current and prior year audit findings and corrective action plan. We did not audit the response and, accordingly, we express no opinion on it.

This report is intended for the information of management. However, this report is a matter of public record and its distribution is not limited.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
December 4, 2012

EXCELLENCE FOR CHILDREN, LLC
THE FIRST THREE YEARS QUALITY CARE OF INFANTS AND TODDLERS

Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan
Year Ended June 30, 2012

Ref No	Fiscal Year Finding Initially Occurred	Description of finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
CURRENT YEAR (6/30/12) --						
<u>Internal Control</u>						
12-1 (IC)	2006	Due to the small number of employees, the entities did not have adequate segregation of functions within the accounting system	No	No response is considered necessary	N/A	N/A
12-2 (IC)	2007	The entities do not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes	No	The entities have evaluated the cost vs benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the entities to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation	N/A	N/A
PRIOR YEAR (6/30/11) --						
<u>Internal Control</u>						
11-1 (IC)	2006	Due to the small number of employees, the entities did not have adequate segregation of functions within the accounting system	No	No response is considered necessary	N/A	N/A
11-2 (IC)	2007	The entities do not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes	No	The entities have evaluated the cost vs benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the entities to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation	N/A	N/A